

**CITY OF EDMONTON DRAINAGE SERVICES
2012-2014 BUSINESS PLAN DEVELOPMENT
STRATEGIC FRAMEWORK**



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1. INTRODUCTION

This framework aligns with Department and City of Edmonton directions and priorities, and will guide the operations of the Drainage Services Branch for three years beginning in 2012.

The framework is based on:

- Interviews with: the City of Edmonton Utility Committee and Mayor (5 interviews), Drainage Services and other City of Edmonton staff (10 interviews including one with Corporate Finance), and external stakeholders (3 interviews).
- Review of background documents
- Environmental scan
- Planning session with forty Drainage Services staff
- Discussion meetings with Drainage Services leadership

The input of the 40 staff from Drainage Services resulted in revisions to a draft strategic framework and addition of the strategic initiatives included in this document.

The main components of the Strategic Framework are:

- Vision, Mission and Values
- Strategic Directions
- Key Initiatives

What We Heard

The interviews are summarized in a “What We Heard” document provided under separate cover. The interviews supported the following areas of focus for Drainage Services over the next three years:

- Workforce management/planning; ensuring adequate human resources.
- Communications/coordination/collaboration (internal and external).
- Enhanced role in city planning; more integration with related areas.
- Financial planning that considers declining variable revenues, asset replacement and building needs.
- Innovative solutions to biosolids, combined sewer, water reuse, and water quality challenges.
- Attention to efficiency/cost control.
- Preparedness for higher environmental standards.

Environmental Scan

The environmental scan confirmed the following:

- The management of stormwater, wastewater and biosolids is a very dynamic area at this time, with innovation driven by the merging of engineering, environmental, and planning disciplines. The rate of innovation is driven by public awareness and concern about water supply, quality and conservation; by regulatory change and increasingly stringent requirements; and by pressure to keep cost of public services at a manageable level. This important and costly area of municipal service provision is strongly impacted by the green movement.
- The City of Edmonton's Drainage Services is well-respected among peers for its innovation and overall management practices.
- Other municipalities are facing similar challenges in relation to: aging infrastructure and the need to balance the cost of maintaining existing assets with the building of new assets; cost pressures and limited revenue generation options; concern about increasing regulatory standards and the cost of meeting those standards; and an increasing range of options for adopting sustainable practices for stormwater, wastewater, and biosolids management.

Staff Planning Session

Detailed input on the vision, mission, values and strategic directions were received during a planning session attended by 40 Drainage Services supervisors and business partners. Priority initiatives for the Branch for the next three years were also identified, as indicated in this framework. Key themes in the discussion of Branch priorities for the next three years were:

- **Human Resources:** there are concerns about succession planning including recruitment and retention of quality staff. Strategies are needed for attraction, retention, productivity, engagement, and mentoring.
- **Asset Management:** this includes improved use of data and information to guide maintenance and repairs, and new asset planning and acquisition. A longer term, more comprehensive and integrated approach is needed.
- **Coordination and Collaboration:** a range of factors have increased the need for, and the importance of, coordination and collaboration over the next three years.

Based on these considerations, the leadership team of Drainage Services has developed the following strategic framework for 2012-2014.

2. STRATEGIC FOUNDATION

2.1. VISION

Excellence and innovation in wastewater, stormwater and biosolids management through customer service, environmental stewardship, and fiscal responsibility.

The Drainage Services Branch provides high quality and reliable service to customers in a safe and sustainable manner. Through well-maintained drainage infrastructure, efficient and up-to-date management systems, innovative system planning, and attention to continuous improvement, the Branch contributes to City of Edmonton strategic goals in the areas of sustainable growth, quality of life, prosperity, health, and the environment.

2.2. MISSION

We protect public health and the environment by managing wastewater, stormwater and biosolids through environmentally and financially sustainable practices for the City of Edmonton, the North Saskatchewan River system, and our regional partners.

Drainage Services minimizes the negative impacts resulting from the disposal of wastewater, stormwater and biosolids on public health, quality of life, and the environment including the North Saskatchewan River, the City of Edmonton, and the Edmonton region. Drainage Services contributes to Edmonton's vision leading the way in environmental stewardship, innovative design, and cost-efficiency through projects such as the *Kennedale End-of-Pipe Constructed Wetland*, and by meeting ISO 14001 environmental performance expectations.

2.3. VALUES

The following values for Drainage Services reflect City of Edmonton goals and priorities, our professional values and the nature of our work.

- ***Environmental Stewardship & Public Health***

Drainage Services continues to be a leader in environmental performance and public health and safety standards. We meet or exceed municipal, provincial and federal requirements for stewardship of the environment, public health, and public safety.

- ***Sustainability***

Drainage Services plays a key role in the long-term sustainability of our City. We adopt integrated sustainable practices that benefit citizens and the environment; we repair, replace and build new infrastructure to achieve sustainable urban development goals; and we enable affordable utility rates for the people of Edmonton over the long term.

- ***Excellent Service***

Drainage Services achieves excellence in customer service. We are innovative in finding ways to deliver services that are both efficient and effective. We stay current with emerging technology and best practices to provide valued service to customers, partners, and stakeholders.

- ***Engaged and Inspired Employees***

Drainage Services is proud of the expertise of its team. Our work environment is innovative, positive, team-oriented and safe. We perform our jobs with integrity and transparency.

- ***Collaboration***

Drainage Services recognizes the increasing cross-jurisdictional and cross-functional nature of environmental, asset management, and financial challenges; hence the need for collaborative processes to find solutions. We work collaboratively within the Branch and with others in the Department, the City, our regional partners, EPCOR, other orders of government, other municipalities and related organizations to achieve common goals, efficient use of resources, and innovative solutions to challenges.

3. STRATEGIC DIRECTIONS

The following six strategic directions are proposed for Drainage Services for 2012-2014. The icons beside each direction indicate the link to the City's 10-year goals, which are attached to this document.

1. MAINTAIN EFFICIENT AND EFFECTIVE SERVICE



The Branch ensures operational efficiencies through innovation and technology adoption to support effective and affordable service over the long term.

2. BUILD AND RENEW DRAINAGE INFRASTRUCTURE



Through long-term planning, proactive renewal and engagement in new development, the Branch provides sustainable infrastructure in support of Edmonton's urban development.

3. IMPROVE ENVIRONMENTAL PROTECTION AND MAINTAIN PUBLIC HEALTH AND SAFETY



Proper management of wastewater, stormwater and biosolids contributes to a healthy environment and public health and safety.

4. SUPPORT ECONOMIC GROWTH AND DEVELOPMENT



The Branch supports Edmonton as it grows into an integrated, holistic urban municipality defined by economic, social, environmental and cultural sustainability. The Branch supports economic growth by offering innovative, efficient and customer-focused drainage services.

5. IMPROVE COORDINATION AND COLLABORATION



Many of the City's departments and branches share similar goals, such as customer service, public education and environmental stewardship. Drainage Services seeks to be a leader in collaborative approaches and in the pursuit of synergies with key partners both within and outside the City.

6. NURTURE INNOVATION AND CREATIVITY



Opportunities for innovation and creativity are vast. Through the continuous exploration and adoption of new processes, technologies and best practices, Drainage Services will achieve target results and positive change, within the framework of fiscal responsibility.

4. KEY INITIATIVES

The table below lists key initiatives for each strategic direction. Based on research and consultation, the overarching priorities for Drainage Services for the next three years will be:

1. **Human Resources:** staff are concerned about succession planning. Strategies are needed for attraction, retention, productivity, engagement, and mentoring.
2. **Asset Management:** this includes improved use of data and information to guide maintenance and repairs, and new asset planning and purchase. A longer term, more comprehensive and integrated financial and analytical approach is needed.
3. **Coordination and Collaboration:** a range of factors have increased the need for, and importance of, coordination and collaboration. This is perhaps the biggest and most important challenge facing Drainage Services over the next three years.

Strategic Directions	Initiatives	Performance Measurement
1. Maintain efficient and effective service	1.1 Drainage Services will optimize system maintenance for continuous improvement in achieving performance benchmarks.	Less than 2.5 blockages per 100 km of mainline sewer per year
	1.2 Drainage Services will engage staff to develop strategies to improve employee health and safety in the work place.	Reduce injury frequency and severity annually by 20%
2. Build and renew drainage infrastructure	2.1 Drainage Services will enhance asset management capabilities.	Maintain the overall physical condition of sewers at their current weighted average rating of 3.25 on a City-wide basis
	2.2 Drainage Services will develop a service connection rehabilitation strategy including technology research and public consultation.	
	2.3 Drainage Services will optimize its investment in the Neighbourhood Renewal Program.	

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Strategic Directions	Initiatives	Performance Measurement
3. Improve environmental protection and maintain public health and safety	3.1 Drainage Services will develop and implement a biosolids management strategy to reduce the volume of stored biosolids.	Increase % of generated biosolids disposal to 93% by 2013
	3.2 Drainage Services will promote Low Impact Development best practices.	Implement a Low Impact Development demonstration project by 2012
	3.3 Drainage Services will continue to meet or exceed regulatory requirements.	Renew Drainage Master Plan by 2013
4. Support economic growth and development	4.1 Drainage Services will develop financial strategies to ensure long-term sustainability of the Drainage Utilities.	Achieve annual financial targets set in the Drainage Utilities Fiscal Policy
	4.2 Drainage Services will develop servicing plans for downtown and industrial areas supplemented with asset management and financial analyses, in coordination with key partners.	
5. Improve coordination and collaboration	5.1 Drainage Services will enter into service level agreements with Drainage Design and Construction, and Waste Management.	Keep the difference between actual expenditure and approved budget below 15% for assets funded by the utility
	5.2 Drainage Services will increase and improve coordination, collaboration and communication internally and with external partners and stakeholders.	
6. Nurture innovation and creativity	6.1 Drainage Services will work towards creating a zero discharge vision in the long term.	Achieve an Edmonton Watershed Contaminant Reduction Index of 7.5 by 2013
	6.2 Drainage Services will engage staff in redefining the roles and expectations for how we innovate at all levels of our organization.	Improve employee engagement survey score annually

5. FINANCIAL IMPACTS OF STRATEGIC FRAMEWORK

The financial impact of the Strategic Framework is presented in the following tables in terms of both operating and capital costs and the indicators defined through the Utility Fiscal Policy, approved by City Council on June 1st, 2011.

In preparing the budgets supporting the Strategic Framework, the Drainage Utilities reflected the services and processes needed to support its mission, values and strategic initiatives. The estimates are based on past experience and current results for the first four months of 2011. Details on the projected 2011 costs and the impact on the 2012 estimates will be included in the formal rate filing when the 2012 budget is brought forward in the fall. The following is a high level projection of the rate increases necessary based on assumptions described below.

SANITARY UTILITY

	Approved Budget	Forecast					
	2011	2011	2012	2013	2014	2015	2016
Increases due to:							
Return on Rate Base	\$ 0.07	\$ (0.19)	\$ 2.57	\$ 0.51	\$ 0.32	\$ 0.40	\$ 0.13
Biosolids	0.09	0.02	0.98	0.16	0.16	0.16	0.22
Dep'n & Interest - Mature Neighbourhood	0.18	0.64	0.73	0.56	0.30	0.10	(0.35)
Dep'n & Interest - Other	(0.12)	(0.18)	0.25	(0.19)	0.11	0.38	0.87
Local Access Fees	0.02	0.06	0.51	0.10	0.09	0.10	0.09
D&C Revenues	0.02	0.04	0.27	-	-	-	-
Operations & Maintenance	0.32	0.19	0.19	0.15	0.16	0.17	0.17
	\$ 0.58	\$ 0.58	\$ 5.51	\$ 1.29	\$ 1.14	\$ 1.31	\$ 1.13

Return on Rate Base

Return on Rate Base is the amount that is deemed to be a fair and reasonable return on the investments made in capital assets in order to provide for the future reinvestment in the Utility. The Drainage Utility Fiscal Policy C304C set the minimum Return on Rate Base at 4% and the maximum Return not to exceed 10%. In 2010, the actual return was 1.6% while the forecasted return for 2011 is 1.2%. If the Utility is to implement the minimum return of 4.0% in 2012, nearly half of the \$5.51 monthly increase is attributable to increasing the amount of the return. While it may be acceptable to transition to the 4% return over a two or three year period and lower the resulting customer rates, there will also be other impacts on the remaining financial indicators.

Biosolids Disposal

The next largest contributor to the potential rate increase is expenses relating to biosolids disposal. The Utility has been increasing its disposal to roughly 80% of the annual biosolids generated from the wastewater treatment process, with the balance being stored in the Cloverbar lagoons.

Currently, there are two primary methods of disposal for biosolids: Nutrigold Program and through the Compost Facility operated by Waste Management Services. As part of the Cost of Service Study in May, a review was performed by Grant Thornton concerning the actual cost incurred by Waste Management Services in the disposal of biosolids. The results conclude that the Sanitary Utility has been charged a legacy preferential rate of \$234 per dry tonne while the actual cost to Waste Management Services is \$449 per dry tonne. As a result, there exists a cross-subsidy between the Waste Utility and the Sanitary Utility. The preliminary 2012 biosolids disposal estimate includes a transition to paying for the full cost over a three year period. In addition, the rate of disposal of biosolids is increased to reduce the annual amount placed in storage.

STRATEGIC FRAMEWORK

Preliminary estimates are that increased rate and volume of biosolids disposal in 2012 will add \$0.98 per month to the typical utility bill.

Capital Investments

The impact of capital investments on customer rates for the Sanitary Utility has been previously documented in a number of reports to Committees and to City Council. For the Sanitary Utility to continue to implement the Drainage Neighbourhood Renewal Program and meet the three year no-cut policy, the resulting interest and depreciation expense will account for a monthly increase of \$0.73. An additional \$0.25 per month increase relates to other capital investments required to meet mandated and other requirements.

As part of the budget preparation process over the next few months, individual business cases for the capital programs will be developed and recommendations provided to the Utility Committee in the fall of 2011.

Local Access Fees

The projected increase of \$0.51 per month in Local Access Fees is related to an increase in the total rate revenues. The Utility pays 8% of rate revenue to the City of Edmonton for the exclusive use to right of ways. As total rate revenue increases, the amount of Local Access Fee collected also increases.

Operations and Maintenance

The 2012 Operations and Maintenance estimates are based upon the best information available to date. Cost increases for this category, estimated at \$0.19 per month, reflect the corporate inflation guideline of 2.65%, less 0.25% for efficiency target. In addition, the operation and maintenance costs of operating a larger drainage system have been absorbed within current resources.

Strategic Framework Impacts to Financial Indicators

The costing of the Sanitary Utility Strategic Framework for the next five years is presented in the following table. This will be extended to 10 years during development of the 2012 Budget.

By including a 4% Return on Rate Base, the Debt Coverage Ratio improves immediately, as does the Cash Balance available to the Utility. This, combined with the elimination of the need to provide a dividend on 2012 Net Income, enables the Utility to finance future capital investments using 40% equity and meet the targeted Debt to Net Assets Ratio of 60% starting in 2013.

STRATEGIC FRAMEWORK

SANITARY UTILITY

	Actual 2010	Approved Budget 2011	Forecast					
			2011	2012	2013	2014	2015	2016
Financial Indicators:								
Fair and Reasonable Return Return on Rate Base	1.6%	1.7%	1.2%	4.0%	4.5%	4.5%	4.5%	4.2%
<i>Draft Target: Between 4% and 10%, while balancing between goals, rates and bottom line</i>								
Impact of Customer Rate Monthly Billing Increase	7.5%	5.4%	5.4%	39.4%	7.2%	5.6%	6.6%	5.1%
	\$ 1.02	\$ 0.58	\$ 0.58	\$ 5.51	\$ 1.29	\$ 1.14	\$ 1.31	\$ 1.13
Rates Sufficient to Meet Expenses Net Income	6,426	7,133	\$ 5,234	\$ 19,057	\$ 22,524	\$ 24,515	\$ 27,033	\$ 27,900
<i>Draft Target: Positive Net Income</i>								
Financing of Capital Investments Debt Coverage Ratio	1.3	1.3	1.2	1.7	1.8	1.7	1.7	1.7
Debt to Net Assets Ratio	53.3%	55.4%	56.0%	58.2%	59.8%	59.7%	59.8%	59.7%
<i>Draft Target: Debt Coverage Ratio - not less than 1.3 // Debt to Net Assets Ratio - less than 60%</i>								
Cash Balance Cash Available to Utility	10,318	9,725	6,203	17,979	28,984	33,857	35,649	38,094
	\$ 10,318	\$ 9,725	\$ 6,203	\$ 17,979	\$ 28,984	\$ 33,857	\$ 35,649	\$ 38,094
Capital financed by Retained Earnings in following year	\$ 4,114	\$ 7,205	\$ 4,722	\$ 9,983	\$ 17,162	\$ 22,847	\$ 22,842	\$ 20,874
Planned Capital Expenditures	\$ 33,944	\$ 41,143	\$ 51,544	\$ 47,886	\$ 58,214	\$ 59,459	\$ 76,282	\$ 75,286
Long Range Plans Pro-forma Information	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years
<i>Draft Target: 10-year financial planning horizon</i>								
Pro-Forma Income Statement:								
Revenues								
Rate Revenue	\$ 63,292	\$ 69,878	\$ 68,510	\$ 95,872	\$ 104,297	\$ 111,142	\$ 119,218	\$ 126,407
Non-Rate Revenues								
Program Revenue (including investment earnings)	\$ 5,040	\$ 4,575	\$ 4,316	\$ 4,122	\$ 4,500	\$ 4,840	\$ 5,058	\$ 5,225
Transfer from Design & Construction	1,500	1,250	1,250	-	-	-	-	-
Sub-total	6,540	5,825	5,566	4,122	4,500	4,840	5,058	5,225
Total Revenues	\$ 69,832	\$ 75,703	\$ 74,076	\$ 99,994	\$ 108,797	\$ 115,982	\$ 124,275	\$ 131,632
Operating Expenses								
Operating & Maintenance	\$ 34,436	\$ 37,854	\$ 35,648	\$ 38,731	\$ 39,731	\$ 40,764	\$ 41,826	\$ 42,916
Biosolids Disposal	5,421	6,335	6,335	10,900	12,000	13,000	14,000	15,404
Depreciation	8,528	8,618	9,695	10,138	10,649	11,245	12,131	13,136
Interest	9,905	10,457	11,687	13,500	15,550	17,567	19,748	22,164
Local Access Fees	5,116	5,306	5,477	7,668	8,344	8,891	9,537	10,113
Net Expenses	\$ 63,406	\$ 68,570	\$ 68,842	\$ 80,937	\$ 86,273	\$ 91,467	\$ 97,242	\$ 103,732
Net Income	\$ 6,426	\$ 7,133	\$ 5,234	\$ 19,057	\$ 22,523	\$ 24,515	\$ 27,033	\$ 27,900

STRATEGIC FRAMEWORK

STORMWATER UTILITY

	Approved Budget	Forecast					
	2011	2011	2012	2013	2014	2015	2016
Increases due to:							
Return on Rate Base	\$ (0.10)	\$ (0.43)	\$ 0.99	\$ 0.54	\$ 0.66	\$ 0.72	\$ 0.61
Dep'n & Interest - Mature Neighbourhood	0.04	(0.53)	0.58	0.58	0.40	0.62	(0.16)
Dep'n & Interest - Other	0.22	0.15	(0.17)	(0.02)	0.11	(0.14)	0.56
Operations & Maintenance	0.22	1.19	0.17	0.09	0.07	0.08	0.08
	\$ 0.38	\$ 0.38	\$ 1.57	\$ 1.18	\$ 1.26	\$ 1.27	\$ 1.08

Return on Rate Base

Return on Rate Base is the amount that is deemed to be a fair and reasonable return on the investments made in capital assets in order to provide for the future reinvestment in the Utility. The Drainage Utility Fiscal Policy C304C set the minimum Return on Rate Base at 4% and the maximum Return not to exceed 10%. In 2010, the Stormwater Utility realized an actual Return on Rate Base of 9.7% while the forecasted return for 2011 is 6.5%. The Stormwater Utility is in a different financial position than the Sanitary Utility in that it cannot afford to lower its Return on Rate Base because of the unavailability of sufficient cash to bring down the Debt to Net Assets Ratio. As a result, nearly two-thirds of the projected monthly increase in 2012 (\$0.99) is dedicated to fund the Return on Rate Base.

Capital Investments

The necessary increase in capital investments for the Stormwater Utility has been previously documented in a number of reports to Committees and to City Council. In addition to the Drainage Neighbourhood Renewal Program, the Stormwater Utility also has to manage the Flood Prevention Program. As a result of the amount of sewer rehabilitation work that has been completed over the last few years, the Utility is spreading out the balance of the Flood Prevention Program over a longer period in order to minimize the overall impact of the Drainage Neighbourhood Renewal Program. In total, the projected monthly increase required to finance the capital investments planned for 2012 is \$0.41 per month.

As part of the budget preparation process over the next few months, individual business cases for the various programs will be developed and recommendations provided to the Utility Committee in the fall of 2011.

Operations and Maintenance

The 2012 Operations and Maintenance estimates are based upon the best information available to date. Cost increases for this category, estimated at \$0.17 per month, reflect the corporate inflation guideline of 2.65%, less 0.25% for efficiency target. In addition, the operation and maintenance costs of operating a larger drainage system have been absorbed within current resources.

Strategic Framework Impacts to Financial Indicators

The costing of the Stormwater Utility Strategic Framework for the next five years is presented in the following table. This will be extended to 10 years during development of the 2012 Budget.

The Stormwater Utility is much more significantly affected by the elimination of grant funding for its capital assets than the Sanitary Utility. As recent as 2009, the Utility relied on \$16 million of grant funding (nearly 1/3 of its total capital for the year) to finance its capital investments. As a result, the proportion of capital investments being financed by cash has to increase to bring the overall Debt to Net Assets Ratio down. An increase to a 7.3% Return on Rate Base is needed to generate sufficient cash over the next five years to reverse the Debt to Net Assets Ratio trend.

STRATEGIC FRAMEWORK

STORMWATER UTILITY






	Actual 2010	Approved Budget 2011	Forecast					
			2011	2012	2013	2014	2015	2016
Financial Indicators:								
Fair and Reasonable Return Return on Rate Base	9.7%	5.1%	6.5%	7.3%	7.3%	7.3%	7.3%	7.3%
<i>Draft Target: Between 4% and 10%, while balancing between goals, rates and bottom line</i>								
Impact of Customer Rate Monthly Billing Increase	8.0%	6.4%	6.4%	24.8%	14.9%	13.8%	12.3%	9.3%
	\$ 0.48	\$ 0.38	\$ 0.38	\$ 1.57	\$ 1.18	\$ 1.26	\$ 1.27	\$ 1.08
Rates Sufficient to Meet Expenses Net Income	9,240	8,463	\$ 8,658	\$ 13,784	\$ 16,109	\$ 19,585	\$ 23,399	\$ 26,697
<i>Draft Target: Positive Net Income</i>								
Financing of Capital Investments Debt Coverage Ratio	3.4	3.5	2.9	2.6	2.4	2.3	2.3	2.3
Debt to Net Assets Ratio	70%	70%	69%	69%	71%	71%	68%	65%
<i>Draft Target: Debt Coverage Ratio - not less than 1.3 // Debt to Net Assets Ratio - less than 60%</i>								
Cash Balance Cash Available to Utility	29,774	11,842	22,386	24,069	31,041	36,129	35,496	34,114
	\$ 29,774	\$ 11,842	\$ 22,386	\$ 24,069	\$ 31,041	\$ 36,129	\$ 35,496	\$ 34,114
Capital financed by Retained Earnings in following year	\$ 13,542	\$ 18,147	\$ 12,783	\$ 9,455	\$ 14,423	\$ 23,881	\$ 28,036	\$ 31,914
Planned Capital Expenditures	\$ 31,796	\$ 88,996	\$ 52,241	\$ 43,514	\$ 52,270	\$ 52,719	\$ 56,469	\$ 53,090
Long Range Plans Pro-forma Information	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years
<i>Draft Target: 10-year financial planning horizon</i>								
Pro-Forma Income Statement:								
Revenues								
Rate Revenue	\$ 26,285	\$ 29,223	\$ 29,223	\$ 37,022	\$ 42,077	\$ 48,498	\$ 55,144	\$ 60,997
Non-Rate Revenues Program Revenue (including investment earnings)	630	669	498	843	885	1,035	1,148	1,146
Total Revenues	\$ 26,915	\$ 29,892	\$ 29,721	\$ 37,865	\$ 42,962	\$ 49,532	\$ 56,291	\$ 62,143
Operating Expenses								
Operating & Maintenance	\$ 12,127	\$ 13,815	\$ 13,280	\$ 14,147	\$ 14,524	\$ 14,915	\$ 15,316	\$ 15,728
Depreciation	2,902	3,668	3,462	3,980	4,450	5,036	5,758	6,509
Interest	2,646	3,946	4,321	5,955	7,879	9,997	11,818	13,209
Net Expenses	\$ 17,675	\$ 21,429	\$ 21,063	\$ 24,081	\$ 26,853	\$ 29,948	\$ 32,892	\$ 35,446
Net Income	\$ 9,240	\$ 8,463	\$ 8,658	\$ 13,784	\$ 16,108	\$ 19,585	\$ 23,399	\$ 26,697

6. CONCLUSION

The financial information presented in this document represents a preliminary look at the operating and capital investment plans for the Sanitary and Stormwater Utilities. There are a number of options available, with resulting impacts to programs, capital investments, financial indicators, and customer rates. Directions received from the Utility Committee will be incorporated into the preparation of a proposed 2012 Operating and 2012-2014 Capital Budgets over the next few months.

ATTACHMENT #1: The Way Ahead, 10-Year Goals

Drainage Services strategic directions align with the City's 30-year vision. The table below lists the City's 10-year goals and corresponding Departmental outcomes.

Symbol	City of Edmonton, 10-yr goals	Department Outcomes (Annual Report, 2010)
	<p><i>The Way We Green</i> Preserve & Sustain Edmonton's Environment</p> <ul style="list-style-type: none"> Partnership with citizens, communities and organizations are leveraged to improve Edmonton's environmental health. The impact of City operations on air, land and water systems is minimized. Edmonton strives to be a leader in environmental advocacy, stewardship, preservation, and conservation. 	<p>Impact on the environment from waste and drainage system discharge is reduced.</p> <p>Leadership is demonstrated in reducing impacts on the environment.</p>
	<p><i>The Way We Live</i> Improve Edmonton's Liveability</p> <ul style="list-style-type: none"> Citizens are connected to their diverse communities and have pride in their City. Citizens use city infrastructure and participate in services and programs that provide enjoyment and personal health benefits. Complete collaborative communities are accessible, strong, and inclusive with access to a full range of services. Safe and clean City. 	<p>Public health is maintained.</p>
	<p><i>The Way We Grow</i> Transform Edmonton's Urban Form</p> <ul style="list-style-type: none"> Attractive and compact physical design with diverse neighborhoods, amenities and public open spaces. Edmonton has sustainable infrastructure that fosters and supports civic and community needs. 	<p>Assets are managed to optimize benefits over their life cycle.</p>
	<p><i>The Way We Finance</i> Ensure Edmonton's Financial Sustainability</p> <ul style="list-style-type: none"> The City has well managed and sustainable assets and services. The City has a resilient financial position. The City has balanced revenue streams that are sustainable. 	<p>Operations provide a positive contribution to the City's economic sustainability</p>
	<p><i>The Way We Prosper</i> Diversify Edmonton's Economy</p> <ul style="list-style-type: none"> The City is an effective participant in the development of the regional economic roadmap and leads the development of how we progress, to reflect established policy, eco-industrial development and growing a green economy. The City is an effective facilitator and strong partner in diversifying the economy, retaining and developing talent, and supporting the competitiveness of Edmonton business. The City has a positive and attractive reputation making it competitive nationally and internationally 	